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TAGS: [PGOV](#) [SP](#) [KCOR](#) [KCRM](#) [KJUS](#)  
SUBJECT: SPAIN: MOVING PAST CORRUPTION SCANDALS, POPULAR  
PARTY LEADS IN POLLS

REF: A. 09 MADRID 214  
[1](#)B. 09 MADRID 1026  
[1](#)C. 09 MADRID 499  
[1](#)D. 09 MADRID 553  
[1](#)E. 09 BARCELONA 160  
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[1](#)1. (SBU) SUMMARY AND COMMENT. The center-right Popular Party (PP), the largest opposition party in the Spanish Congress, enters 2010 with a series of polls indicating that - by an increasingly large margin - it would oust the incumbent Socialists (PSOE) in a hypothetical vote, although the next scheduled general election is more than two years away. The polls' findings are welcome news for the PP, which appears to have overcome a series of corruption scandals - most notably the "Gurtel scandal" investigating kickbacks-for-public-contracts - that plagued the party for virtually all of 2009, claimed numerous high-profile party officials as victims, and tarnished the party at the national, regional and municipal levels. Despite the scandals, the PP notched impressive electoral wins in 2009, including retaking power in Galicia (Ref A), becoming the de facto junior partner in the Basque Region (Refs B and C), and besting the Socialists in European Parliamentary elections in June (See Ref D). Fighting as much for his own political career as for the party's credibility, PP leader Mariano Rajoy spent much of the fall of 2009 undertaking a series of anti-corruption initiatives to shore up the party's viability as an alternative to President Zapatero's increasingly unpopular Socialists. The PP appears for now to have stanchied the damage from the various scandals, but thousands of pages of court documents have yet to come to light and judicial proceedings remain ongoing. END SUMMARY AND COMMENT.

//Fighting Back with Anti-Corruption Initiatives//

[1](#)2. (SBU) In end-of-the-year reflections, Rajoy publicly admitted in December that 2009 was "a very tough year" while even friendly, conservative media less charitably described 2009 as "a nightmare" for the party. In addition to the alleged intra-party espionage scandal between rival factions with the PP (see Ref F), the party faced ongoing investigations stemming from an initial judicial inquiry - known as Operation Gurtel - by Investigating Judge Baltasar Garzon of the National Court. Garzon in February publicly unveiled his initial findings into an investigation of alleged corruption in the PP national leadership during the time of former Spanish President Aznar (1996-2004), as well as among high level officials of Autonomous Communities governed by the PP (Valencia and Madrid). The corruption network was allegedly led by Francisco Correa, a now-jailed businessman who oversaw a network of businesses involved in a kickbacks-for-public-contracts scheme to get public funds,

mostly from city halls and autonomous regions (equivalent to U.S. states), in addition to illegally financing the PP-Valencia.

13. (SBU) Stung by the Gurtel scandal, the PP has undertaken a series of efforts to prevent the recurrence of a similar crisis. On December 21 party officials publicly unveiled a revised code of ethics that promotes greater transparency in internal party contracts and audits, mandates competitive bidding in party-awarded contracts, and prohibits party officials from being able to accept expensive gifts or favors. Former Minister Jose Manuel Romay Beccaria will oversee the implementation of these changes as the party's new Internal Practices Auditor, a newly created position. Finally, party officials will be forced to sign a legal document in which they promise to conduct their work with "integrity and transparency." In addition, press reports in November also indicated that the PP and the PSOE - which in October was stung by its own corruption scandal in Catalonia, where it leads a tripartite regional government - have found common ground to propose legal reforms to change the penal code and the Party Finance Law to curb kickbacks-for-favors scandals.

//Recent Polls Are Encouraging for the PP//

14. (SBU) Polling since mid-2009 has been encouraging for the PP, although the next general election is not scheduled to take place before early 2012 and it is not assured that the PP's good fortunes will continue at expense of the PSOE, which is under fire for its handling of the economic crisis, among other setbacks. The March 2008 general election gave the PP 39.7 percent of the vote and 154 seats in the 350-seat Congress of Deputies, while the 43.6 percent of the vote that Zapatero's PSOE received enabled it to form a minority

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government with 169 seats, seven shy of a majority. A series of polls conducted during November and December all suggest that the PP has between 1.5 - 5.5 percent more support among respondents than the PSOE. Polling experts have extrapolated that this data could translate into as many as 165-170 seats for the PP in a hypothetical vote, enough to give the PP a plurality in Congress. Recent polls further suggest that - through increased voter abstention and by losing support to smaller leftist parties - the PSOE could be left with just 145-150 seats. The next scheduled key election will be held in late 2010 in Catalonia, where the PP has not traditionally fared well. (See Ref E).

//Background on the Gurtel Scandal and Its Key Victims//

15. (U) More than 100 people have been indicted thus far in the Gurtel scandal, which has left in its wake numerous high-profile PP victims, who were either fired or forced to resign. Among those indicted, charges have included illegally financing the PP, money laundering, tax fraud, influence-peddling, forgery of public documents, and prevarication or abuse of trust. Foremost among these victims were the national party's treasurer (who is also a Senator), the party's number-two official in Valencia, a member of the European Parliament, a regional minister, four mayors and other senior party officials, most often in the PP-led regional governments of Madrid and Valencia, traditional strongholds for the party. The scandals also may have caused permanent damage to Francisco Camps, the President of the Autonomous Community of Valencia and a one-time rising star whom many predicted could have even been an eventual future contender for party leader. A brief outline of some of the key Gurtel victims follows.

16. (U) Luis Barcenas, a PP Senator who oversaw the party's finances for 20 years, professes his innocence but resigned his post as party treasurer in July 2009, claiming that he wanted to "save the reputation of the Party." Publicly available investigative documents allege that he received

millions of euros in kickbacks from companies linked to Correa, the businessman at the heart of the scandal, in exchange for assurances that Correa's companies would win contracts from the Ministry of Public Works during the Aznar administration. Barcenas was forced to resign after he was accused by Garzon of illicit association, money laundering, and a crime against the Public Administration for allegedly having facilitated the illicit activities of Correa. Because Barcenas remains a Senator, the Supreme Court will investigate his case.

17. (U) Judge Garzon initially investigated Francisco Camps, President of the Autonomous Community of Valencia, for having awarded public work to some Correa's companies in exchange for such gifts as expensive, tailor-made clothing. Garzon alleged that Correa paid for the suits that Camps bought in a shop in Madrid and accused other leaders of the PP-Valencia of being complicit in the activity. Garzon had to transfer the case to the High Court of Justice of Valencia because the people he was charging were members of an Autonomous Parliament. In early August 2009, the High Court of Justice of Valencia shelved the case after ruling that accepting gifts was not "passive bribery" if the recipient was not directly responsible for awarding contracts. The Office of the Prosecutor announced that it will appeal the sentence - which Spain's flagship daily criticized as "a dangerous precedent" - to the Supreme Court. By late September, the media published excerpts of a police report that outlined how the corruption network allegedly worked within the Autonomous Community of Valencia, explaining the double accounting of the companies involved, and how everything was agreed on between the then Secretary General of the PP-Valencia and with the Vice President of the Autonomous Community. The report concluded that dirty money was deposited in PP's vaults to illegally finance the Party. Days later, the media reported the police had intercepted phone conversations in which a senior official in the PP's Valencia branch allegedly stated that Camps was aware of the shady transactions.

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